



MICHIGAN HEALTH & HOSPITAL ASSOCIATION

*Advocating for hospitals and the patients they serve.*

TO: Members, House Commerce Committee

FROM: Brian Peters, Senior Vice President, Advocacy

DATE: July 13, 2005

SUBJECT: **House Bill 5048**

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The Michigan Health & Hospital Association urges the Committee to act with great care on House Bill 5048, a bill to sell off Michigan's tobacco lawsuit settlement revenue in exchange for an up-front payment. The MHA understands the necessity of finding new opportunities for enhancing Michigan's economy and spurring job growth. However, the tobacco settlement was awarded to states in recognition of the health care liabilities that tobacco use cost the states.

Each version of the fiscal year 2006 budget, that proposed by the executive and those passed by the House or Senate, assumes a substantial amount of Medicaid funding will come from tobacco settlement revenues. As the funds were awarded to recognize health care costs, this spending is appropriate. If the tobacco revenues were to be securitized, it is equally appropriate that the existing funds be preserved in the Medicaid budget, and that a plan is in place for holding the Medicaid program harmless when the tobacco revenues are no longer available.

It is also important to recognize the economic value of the health care industry to the state. One of every 10 jobs in Michigan is directly in health care. Health care manufacturing, research and development and patient care contribute billions to the Michigan economy. Michigan needs more support for health care, and specifically for the state's health care safety net, Medicaid. With adequate funds, Michigan can move away from the intensive costs of acute care, and can address chronic illness in ways that improve patients' lives and save money. The Medicaid health care safety net is under funded by at least \$1 billion in comparison to Medicare payment rates. Under funding Medicaid leads to decisions like that of eliminating adult dental care. Without this care, many people will develop much more serious illnesses, which are then treated in acute care hospitals at great expense. Hospitals are becoming more under funded each year, hindering the ability to keep up with capital improvements and new technologies, which in turn stifles job growth and delays more improvements in patient care.

If the tobacco settlement revenues are securitized it is imperative that a significant portion of the up-front payments be directed to Michigan's health care system. Further, this investment must be in addition to the existing funds assumed for FY 06. This system is responsible for the care of hundreds of thousands of children. Almost 70 percent of the cost goes to caring for the elderly. While only 200,000 Michiganians need welfare assistance, 1.5 million need health care assistance. Michigan's health care system needs adequate funding to continue serving these patients, improve patient care, and to support more than 400,000 jobs. Thank you for your consideration of this important matter. I can be reached at 517/703-8609 to discuss this issue in more detail.

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